

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

In Re: Review of Block Island Power Company's
Revenue Requirement under R.I.G.L.
§ 39-3-11 in light of the Tax Cuts and Jobs Act

Docket No. 4793

SETTLEMENT AGREEMENT

Pursuant to Rule 1.25(B)(1) of the Rules of Practice and Procedure of the Rhode Island Public Utilities Commission ("Commission"), the Rhode Island Division of Public Utilities and Carriers ("Division") and Block Island Power Company ("BIPCo") (singly referred to herein as "Party" and collectively referred to herein as the "Parties") enter into this settlement agreement (the "Settlement") in the above-entitled docket.

RECITALS

WHEREAS, on December 22, 2017, The Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97, 131 Stat. 2054 (the "Tax Act") was signed into law and became effective as of January 1, 2018;

WHEREAS, the Tax Act, among other changes, reduces the federal corporate income tax rate from 35% to 21%;

WHEREAS, on January 24, 2018, the Commission opened Docket No. 4793 to explore the impact of the Tax Act on BIPCo's then current base distribution rates;

WHEREAS, on January 24, 2018, the Commission issued a First Set of Data Requests to BIPCo;

WHEREAS, on February 6, 2018, BIPCo provided data responses to the Commission's First Set of Data Requests;

WHEREAS, the Tax Act reduces BIPCo's annual federal corporate tax payment obligation by \$1,146 beginning January 1, 2018.

WHEREAS, by legislation passed in 2017, the General Assembly established the Block Island Utility District ("BIUD");

WHEREAS, the Parties anticipate that the BIUD will purchase the assets of BIPCo by March 21, 2019;

WHEREAS, BIUD is a non-taxable, public entity;

WHEREAS, as a non-taxable, public entity, BIUD is not entitled to receive the benefit of an annual reduced federal corporate tax payment obligation that results from the application of the Tax Act;

WHEREAS, BIPCo's tax benefit that results from an application of the Tax Act will cease after the closing of the sale of BIPCo's assets to BIUD; and

WHEREAS, given the relatively small size of BIPCo's reduced federal corporate tax payment obligation for the period of January 1, 2018 through March 21, 2019 (or other asset sale closing date), the Parties believe that a negotiated settlement of the application of this tax benefit is in the best interest of Rhode Island ratepayers;

NOW THEREFORE, in consideration of the recitals hereto, the exchange of promises and covenants hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. The Tax Act reduces BIPCo's federal corporate tax payment obligation by \$1,397 for the period January 1, 2018 through March 21, 2019 (or other asset sale closing date).

2. The relatively small size of BIPCo's reduced annual federal corporate tax payment obligation, were it returned to BIPCo's ratepayers through a rate decrease, would have a *de minimus* impact in reducing customers' rates. That is, the reduction in BIPCo's tax rate resulting from the Tax Act in 2018 will produce a mere .0536% across the board decrease in rates, or *e.g.*, only a \$.01 monthly reduction for the monthly residential customer charge.

3. BIPCo's Distribution System Improvement ("DSI") Fund, among other things, is used to purchase replacement meters for BIPCo and is funded by a DSI surcharge rate.

4. BIPCo's DSI Fund has a credit balance of approximately \$56,429 as of December 31, 2018.

5. The Parties believe that a better and more effective use of BIPCo's tax benefit resulting from the Tax Act would be to reduce the credit balance in BIPCo's DSI Fund.

6. Accordingly, BIPCo will apply the \$1,397 benefit of its reduced federal corporate income tax payment obligation resulting from the Tax Act for the period January 1, 2018 through March 21, 2019 (or other asset sale closing date), to reduce the credit balance in the Company's DSI Fund.

7. This Settlement establishes no principles or precedents and shall not foreclose any Party from taking any position or making any contention in any other docket, proceeding or investigation.

8. This Settlement is the result of settlement negotiations between the Parties. The content of those negotiations is privileged and confidential, and all offers of settlement and discussions relating thereto are and shall be privileged, shall be without prejudice to the position of any Party, and are not to be used in any manner in connection with these or other proceedings involving one or more of the Parties to this Settlement.

9. If the Commission rejects this Settlement, or modifies any provision herein, then this Settlement shall be deemed withdrawn and shall be null and void in all respects.

10. The terms of this Settlement are reasonable, in the public interest, and in accordance with law and regulatory policy.

11. The Parties named below, by the signatures of their representatives, hereby enter into this Settlement as of the date set forth below.

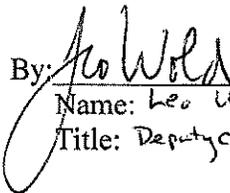
BLOCK ISLAND POWER COMPANY

Dated: 2/14/19

By: 
Name: JEFFERY M. WRIGHT
Title: PRESIDENT

DIVISION OF PUBLIC UTILITIES AND CARRIERS

Dated: 2/15/19

By: 
Name: Leo Woida
Title: Deputy Chief of Legal Services